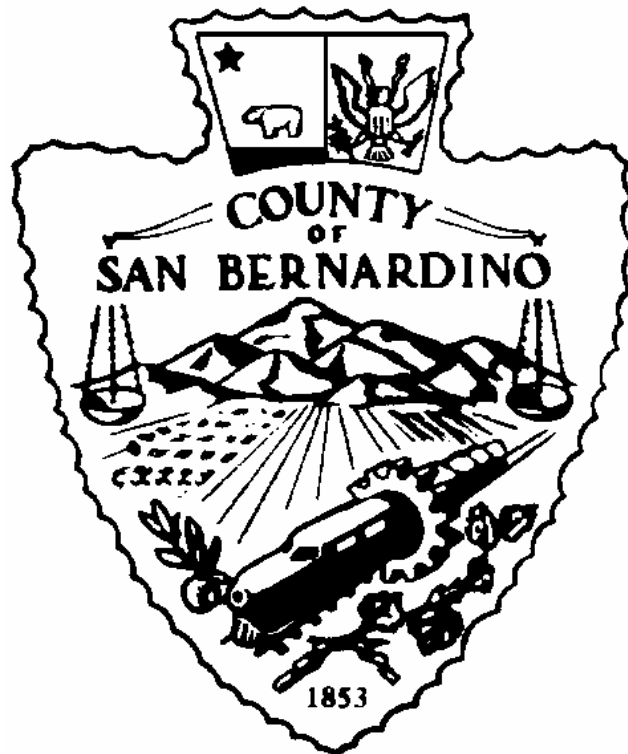


Financial  
Section

Comprehensive Annual  
Financial Report







## INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Supervisors  
County of San Bernardino, California

We have audited the accompanying financial statements of the governmental activities, business-types activities, discretely-presented component unit, each major fund, and the aggregate remaining fund information of the County of San Bernardino, California (the County), as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of First Five of San Bernardino County, which represents 100% of the assets, net assets and revenues of the discretely presented component unit as of and for the fiscal year ended June 30, 2006. The financial statements for the First Five of San Bernardino County was audited by other auditors whose report thereon have been furnished to us, and our opinion, insofar as it relates to amounts included for this entity, is based on reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of San Bernardino, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

On November 28, 2006, the County entered into a litigation settlement of \$102 million. The subsequent settlement is disclosed in the notes to the financial statements as a subsequent event at Note 23 and is recorded as a liability in the governmental activities' statement of net assets and as a special item expense in the governmental activities' statement of activities.

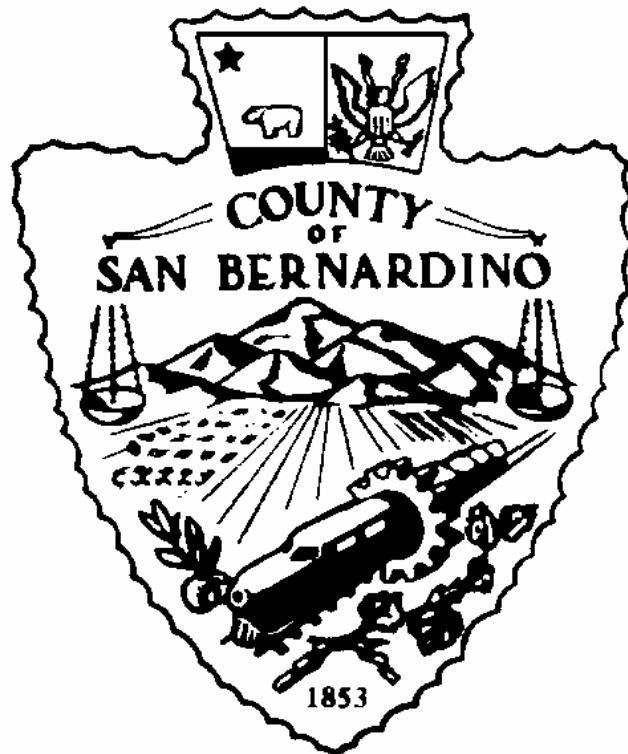
In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2006 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 21 through 39 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, and combining individual non-major fund statements and schedules, and statistical section as listed in the table of contents are presented for purpose of additional analysis and are not a required part of the basic financial statements. The combining, individual non-major fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Vannik, Tami, Day & Co., LLP

Rancho Cucamonga, California  
November 10, 2006  
(except for note 23, as to which  
the date is December 20, 2006)



# Management's Discussion and Analysis

## Comprehensive Annual Financial Report





## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Fiscal Year Ended June 30, 2006

This section of the County's annual financial report presents a discussion and analysis of the County's financial performance during the fiscal year ended June 30, 2006. Please read it in conjunction with the transmittal letter at the front of this report and the County's basic statements following this section.

### FINANCIAL HIGHLIGHTS (Amounts in thousands)

- The County's total net assets increased by \$114,518. The net increase is attributable to the \$66,168 increase in governmental activities net assets and the \$48,350 increase in business-type activities net assets.
- As of June 30, 2006, the County governmental funds reported combined fund balances of \$876,854, an increase of \$86,579 in comparison with the prior year. Approximately 83% of the combined fund balances, \$731,209 is available to meet the County's current and future needs (*unreserved fund balance*).
- At the end of the fiscal year, unreserved fund balance for the general fund was \$365,058, or 21% of the total general fund expenditures.
- The County's total capital assets increased by \$131,549 in comparison with the prior year. (See further detail on page 36)
- The County's total long-term debt increased by \$128,287 in comparison with the prior year. (See further detail on pages 36).

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components 1) **Government-wide** financial statements; 2) **Fund** financial statements and 3) **Notes** to the basic financial statements.

**Government-Wide Financial Statements** are designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business. These statements include *all* assets and liabilities of the County using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

## Management's Discussion and Analysis

(Amounts in thousands)

The statement of net assets presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollectible taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, education, recreation and cultural services. The business-type activities of the County include the Medical Center, the Crestline Sanitation District, the Water and Sewer Facilities, the Fire Protection Districts – Ambulance, the Waste Systems Division, the Museum Gift Shop, and the Regional Parks Snack Bar Operations.

Component units are blended in the basic financial statements and consist of legally separate entities for which the County is financially accountable and that have substantially the same board as the County or provided services entirely to the County. The following component units have been blended into the basic financial statements: Fire Protection Districts, Flood Control District, Park and Recreation Districts, Crestline Sanitation District, County Service Areas, various Joint Powers Authorities, ("JPAs") including a Public Benefits Corporation created for the benefit of the County, Inland Empire Facilities Corporation, San Bernardino County Financing Authority and the Crestline Financing Authority.

The government-wide financial statements also include a discretely presented component unit, FIRST 5 of San Bernardino County. FIRST 5 is a discretely presented component unit as its governing body is not substantially the same as that of the County and FIRST 5 does not provide services entirely or almost entirely to the County but rather to the citizenry.

**The government-wide financial statements can be found on pages 42 - 43 of this report.**

**Fund Financial Statements** are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements.



## **Management's Discussion and Analysis**

**(Amounts in thousands)**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains thirty-three individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

**The governmental fund financial statements can be found on pages 46-48 of this report.**

***Proprietary funds*** are maintained in two ways. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide statements. The County uses enterprise funds to account for the Medical Center, the Crestline Sanitation District, the Water and Sewer Facilities, the Fire Protection Districts – Ambulance, the Waste Systems Division, the Museum Gift Shop, and the Regional Parks Snack Bar Operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its printing services, records management, central mail services, telephone services, computer operations, vehicle services, self-insured worker's compensation, public liability, property conservation, and safety programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Medical Center and Waste Systems Division are considered to be major funds of the County. The County's six internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of combining statements in this report.

**The proprietary fund financial statements can be found on pages 49-51 of this report.**

***Fiduciary funds*** are used to account for resources held for the benefit of parties outside the primary government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support County programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**The fiduciary fund financial statements can be found on pages 52-53 of this report.**

**Notes to the Basic Financial Statements** provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund financial statements. The notes can be found on pages 55 - 104 of this report.

## Management's Discussion and Analysis

(Amounts in thousands)

### Supplemental Information

The Supplemental Information section of this report contains the combining statements and additional budgetary comparison schedules as well as the statistical section. This section is presented to provide additional information that is useful to the users of these financial statements.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceed liabilities by \$1,748,264 at the close of the most recent fiscal year.

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 2,048,137	\$ 1,884,406	\$ 375,407	\$ 321,240	\$ 2,423,544	\$ 2,205,646
Capital assets	1,276,451	1,186,626	570,889	598,811	1,847,340	1,785,437
Total assets	3,324,588	3,071,032	946,296	920,051	4,270,884	3,991,083
Current and other liabilities	183,856	145,494	44,661	46,027	228,517	191,521
Long-term Liabilities	1,540,271	1,391,245	753,832	774,571	2,294,103	2,165,816
Total liabilities	1,724,127	1,536,739	798,493	820,598	2,522,620	2,357,337
Net assets:						
Invested in capital assets, net of related debt	984,605	919,051	(50,023)	(45,032)	934,582	874,019
Restricted (Note 5)	571,483	465,540	46,444	47,908	617,927	513,448
Unrestricted	44,373	149,702	151,382	96,577	195,755	246,279
Total Net Assets	\$ 1,600,461	\$ 1,534,293	\$ 147,803	\$ 99,453	\$ 1,748,264	\$ 1,633,746

The largest portion of the County's net assets of \$934,582 reflects its investment in capital assets (e.g. land and easements, structures and improvements, infrastructure, and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

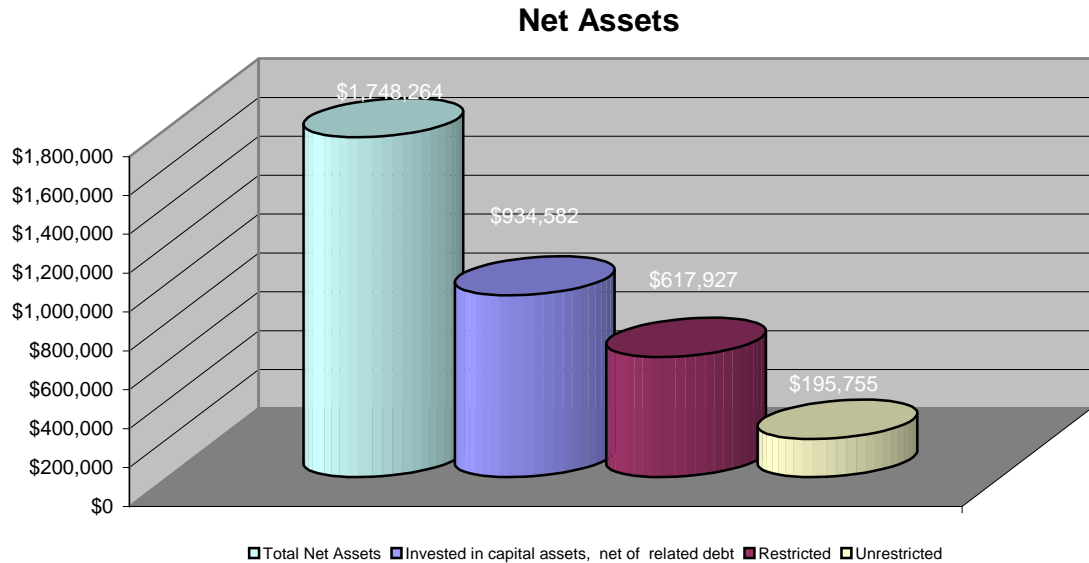
Another significant portion of County net assets are restricted net assets of \$617,927. This category reflects external restrictions imposed by creditors, grantors, contributors, or laws and regulation of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation.

The final component of net assets is unrestricted net assets. Unrestricted net assets are resources that the County may use to meet its current and ongoing obligations to citizens and creditors. The unrestricted net assets balance decreased by \$50,524 during the current year, primarily related to governmental activities' special item – litigation settlement for the amount of \$102 million and business-type activities' revenues exceeding expenses by approximately \$55 million. The \$102 million decrease is due to litigation arising out of construction of a portion of the 210 Freeway extension and the resulting construction of a storm drain and a basin system

## Management's Discussion and Analysis

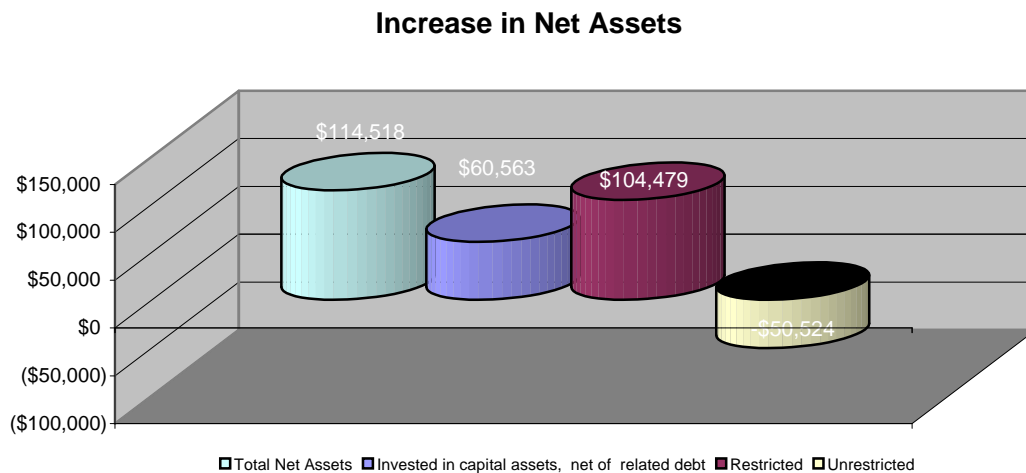
(Amounts in thousands)

(Note 23). The \$55 million increase is due to the \$28 million resulting from the Waste System division's gain on sale of surplus land (Note 22); and \$6 million and \$10 million resulting respectively from the Waste division and the Medical Center's overall revenues exceeding expenses.



For business-type activities, the County reported a negative balance of \$50,023 invested in capital assets, net of related debt – an overall decrease of \$4,991 from prior year. Although still negative, this balance is primarily due to the Medical Center's capital assets being depreciated faster than the related debt schedule payments.

The County's net assets increased \$114,518 (\$66,168 in governmental activities and \$48,350 in business-type activities) during the current fiscal year mostly from increases in property taxes and revenues from use of money and property.



## Management's Discussion and Analysis

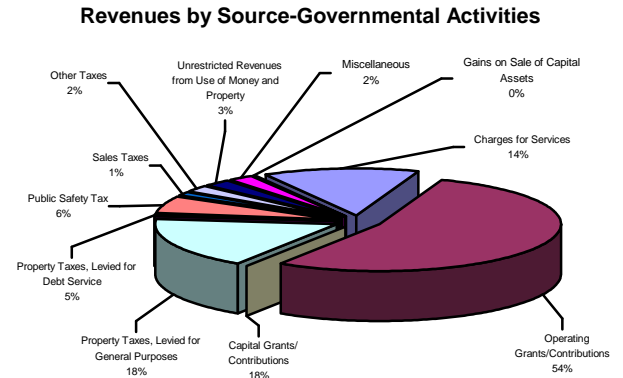
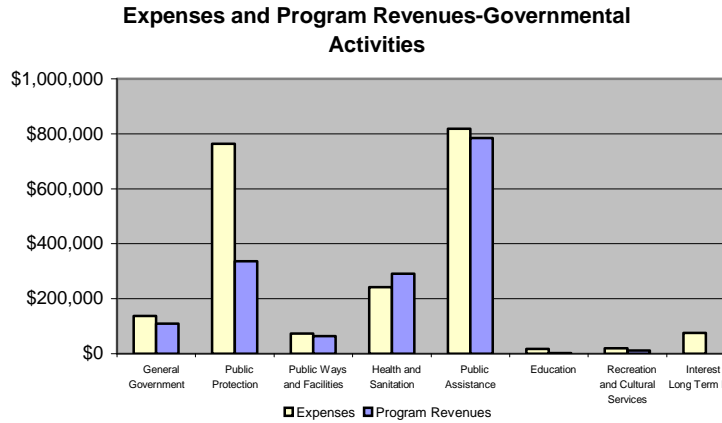
(Amounts in thousands)

The following table indicates the changes in net assets for governmental and business-type activities.

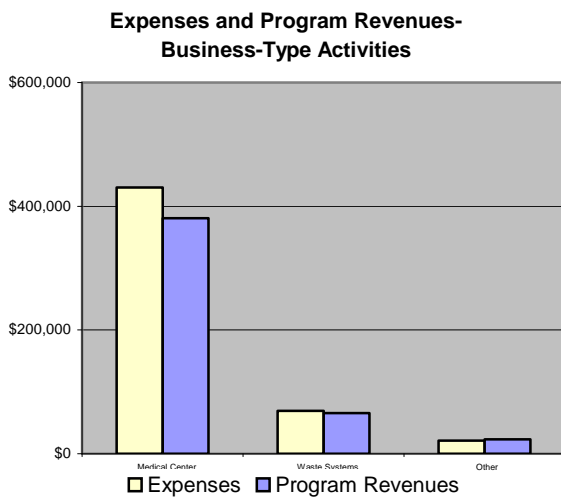
	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Revenues:</b>						
Program Revenues						
Charges for Services	\$ 327,053	\$ 408,884	\$ 431,745	511,368	\$ 758,798	\$ 920,252
Operating Grants/Contributions	1,270,663	1,238,663	15,972	15,761	1,286,635	1,254,424
Capital Grants/Contributions	322	6,129	21,521	20,259	21,843	26,388
General Revenue						
Property Taxes, Levied for General Purposes	418,703	213,644	4,768	5,432	423,471	219,076
Property Taxes, Levied for Debt Service	8,375	3,557	-	-	8,375	3,557
Public Safety Tax	140,855	125,222	-	-	140,855	125,222
Sales Taxes	30,875	26,683	-	-	30,875	26,683
Other Taxes	54,221	37,453	-	-	54,221	37,453
Motor Vehicle In-Lieu taxes	-	175,266	-	-	-	175,266
Unrestricted Revenues from Use of Money and Property	61,590	43,762	5,994	9,695	67,584	53,457
Miscellaneous	51,784	63,545	5,705	6,687	57,489	70,232
Gains on Sale of Capital Assets	5,523	4,857	157	20	5,680	4,877
<b>Total Revenues</b>	<b>2,369,964</b>	<b>2,347,665</b>	<b>485,862</b>	<b>569,222</b>	<b>2,855,826</b>	<b>2,916,887</b>
<b>Expenses:</b>						
General Government	137,092	125,760	-	-	137,092	125,760
Public Protection	764,154	702,624	-	-	764,154	702,624
Public Ways and Facilities	73,014	61,786	-	-	73,014	61,786
Health and Sanitation	241,795	329,669	-	-	241,795	329,669
Public Assistance	817,924	827,800	-	-	817,924	827,800
Education	17,612	16,243	-	-	17,612	16,243
Recreation and Cultural Services	19,355	21,185	-	-	19,355	21,185
Interest on Long Term Debt	75,350	72,041	-	-	75,350	72,041
Medical Center	-	-	430,459	496,437	430,459	496,437
Waste Systems	-	-	69,320	53,835	69,320	53,835
Other	-	-	21,463	19,446	21,463	19,446
<b>Total Expenses</b>	<b>2,146,296</b>	<b>2,157,108</b>	<b>521,242</b>	<b>569,718</b>	<b>2,667,538</b>	<b>2,726,825</b>
<b>Excess (Deficit) before Special Items and Transfers</b>	<b>223,668</b>	<b>190,557</b>	<b>(35,380)</b>	<b>(496)</b>	<b>188,288</b>	<b>190,061</b>
Special Item - Gain on Sale of Surplus Land	-	-	28,230	-	28,230	-
Special item - Litigation Settlement	(102,000)	-	-	-	(102,000)	-
Transfers	(55,500)	(26,618)	55,500	26,618	-	-
<b>Increase in Net Assets</b>	<b>66,168</b>	<b>163,939</b>	<b>48,350</b>	<b>26,122</b>	<b>114,518</b>	<b>190,061</b>
<b>Net Assets -- Beginning of Year</b>	<b>1,534,293</b>	<b>1,370,354</b>	<b>99,453</b>	<b>73,331</b>	<b>1,633,746</b>	<b>1,443,685</b>
<b>Net Assets -- End of Year</b>	<b>\$ 1,600,461</b>	<b>\$ 1,534,293</b>	<b>\$ 147,803</b>	<b>\$ 99,453</b>	<b>\$ 1,748,264</b>	<b>\$ 1,633,746</b>

## Management's Discussion and Analysis (Amounts in thousands)

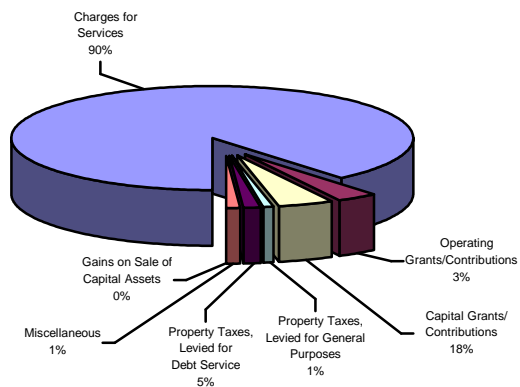
**Governmental Activities** increased the County's net assets by \$66,168 despite the litigation settlement amount of \$102,000. The overall increase in net assets is the result of ongoing and one-time revenues exceeding ongoing expenditures.



**Business-type Activities** increased the County's net assets by \$48,350 primarily due to activities of the Waste Systems Division which account for \$32,695 of the increase; while activities of the Medical Center account for another \$10,095 of the increase. In FY2006, the Waste Systems division sold land for \$47,000 at a public auction resulting in a \$28,230 gain as discussed in Note 22.



**Revenues by Source-Business Type Activities**



## Management's Discussion and Analysis

(Amounts in thousands)

### FINANCIAL ANALYSIS OF COUNTY FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds:** The general government functions are contained in the General, Special Revenue, Debt Service, and Capital Project funds. Included in these funds are the special districts governed by the Board of Supervisors. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2006, the County's governmental funds reported a total fund balance of \$876,854, an increase of \$86,579 in comparison with the prior year. Approximately 83.3% of the total fund balance, \$731,209 constitutes unreserved fund balance, which is available to meet the County's current and future needs. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has been committed: 1) to pay debt service of \$26,260; 2) to reflect inventories, prepaid assets and amounts due from other funds that are long-term in nature of \$2,888; 3) to reflect land held for resale of \$2,754; 4) to reflect amounts due as loans receivable that are long-term in nature of \$16,745 5) to liquidate contractual commitments of the period of \$83,326; and 6) to reflect the mandated 1% reserve for property tax losses of \$13,672.

The General fund is the chief operating fund of the County. At June 30, 2006, unreserved fund balance of the General fund was \$365,058 while total fund balance reached \$413,045. As a measure of the General fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 21% of total fund expenditures, while total fund balance represents 24% of the same amount.

County management also designates unreserved fund balance to a particular function, project or activity. Fund balance may also be designated for purposes beyond the current year; however, designated fund balance is available for appropriation at any time. Of the \$365,058 General fund unreserved fund balance, 35% is designated. The most significant designations include \$41,736 for General Purpose, \$32,075 for Medical Center Debt Service, \$14,900 for Future Retirement Rate, \$6,075 for Teeter Plan (reserve for property tax losses), and \$7,000 for Future Financing. Unreserved undesignated fund balance at year-end was \$237,331.

## Management's Discussion and Analysis

(Amounts in thousands)

Revenues for governmental functions totaled \$2,360,219 in fiscal year 2005-2006, which represents an increase of 0.7% from fiscal year 2004-2005.

The following table presents the amount of revenue from various sources as well as the changes from the prior year.

Revenues	2005-06		Over (Under) 2004-05	
	Amount	Percent of Total	Amount	Percent
Taxes	\$ 644,390	27%	\$ 243,744	38%
Licenses, Permits and Franchises	22,462	1%	1,498	7%
Fines, Forfeitures and Penalties	18,656	1%	(88)	0%
Revenues From Use of Money and Property	62,919	3%	18,714	30%
Aid From Other Governmental Agencies	1,273,869	54%	(151,963)	-12%
Charges for Current Services	285,935	12%	(83,241)	-29%
Other Revenues	51,988	2%	(12,239)	-24%
Total Revenues	<u>\$ 2,360,219</u>	<u>100%</u>	<u>\$ 16,425</u>	

The County's three major funding sources; taxes, aid from other governmental agencies, and charges for current services constitute 93.4% of all revenues.

Taxes increased by \$243,744. Increases in Public Safety Tax and Sales Taxes in amounts of \$15,633 and \$4,192, respectively, along with a continued rise in the assessed valuation and general growth contributed to the increase. In addition, VLF monies reported as Aid from Other Governmental Agencies are now reported as taxes.

Aid from other governmental agencies decreased by \$151,963. This decrease is primarily due to the amount of \$175,266 for Motor Vehicle In-Lieu Taxes in fiscal year 2004-2005. Included in this amount was \$37,300 received from the VLF loan and \$11,038 in VLF "true-up" per the State Controller's Office in the prior year. These VLF revenues are now reported as taxes.

Revenues from use of money and property increased by \$18,714 due to an increase in investment earnings resulting from higher interest rates.

Charges for current services decreased by \$83,241 primarily due to changes made by the State of California to make payments to the County for Medi-Cal Patients according to SB 855 and SB1255.

Other revenue decreased by \$12,239 in the current year. The most significant decreases are due to a one-time \$2 million refund in FY05 from the Retirement Board for FY04 retirement overpayment and the net decrease of \$4.6 million in GASB 31 fair value adjustments.

## Management's Discussion and Analysis

(Amounts in thousands)

The following table presents expenditures by function compared to prior year amounts.

Expenditures	2005-06		Over (Under) 2004-05	
	Amount	Percent of Total	Amount	Percent
Current:				
General Government	\$ 137,547	6%	\$ 14,335	10%
Public Protection	749,900	33%	63,044	8%
Public Ways and Facilities	75,416	3%	28,052	37%
Health and Sanitation	245,187	11%	(84,408)	-34%
Public Assistance	827,230	36%	401	0%
Education	17,469	1%	1,557	9%
Recreation and Cultural Services	16,443	1%	(2,047)	-12%
Debt Service				
Principal	37,596	2%	5,709	15%
Interest and Fiscal Charges	54,968	2%	10,890	20%
Bond Issuance Costs	2,297	0%	2,297	100%
Advance Refunding Escrow	1,622	0%	1,622	100%
Capital Outlay	107,057	5%	53,143	50%
Total Expenditures	<u>\$ 2,272,732</u>	<u>100%</u>	<u>\$ 94,596</u>	

Total County expenditures increased \$94,596 or 4.3% from fiscal year 2004-2005 to fiscal year 2005-2006.

Public Protection expenditures increased by \$63,044. Of this amount, approximately \$56 million is due to staffing increases, and salary and benefit adjustments for law and justice departments.

Public Ways and Facilities increased by \$28,052. Of this amount, approximately \$10 million is attributed to the Fort Irwin Road Rehabilitation in the current year.

Health and sanitation expenditures decreased by \$84,408 primarily due to changes made by the State of California to pay hospitals for treating Medi-Cal patients. The new payment system revises financing for Medicaid hospital care costs by limiting the use of County General Fund transfers to the State for the Non-federal share of Medicaid funds. The new system also establishes a level funded Safety Net Care Pool to provide a fixed amount of federal dollars to cover uncompensated health care costs, and Certified Public Expenditures as the means for calculating federal health funding.

Debt service principal payments increased by \$5,709; and debt service interest payments increased by \$10,890. Of this amount, approximately \$5 million and \$6.7 million of the increases in principal and interest payments are attributed primarily to the 2004 Pension Obligation Bond, and the remaining amount is mostly due to the overall increase in interest rates affecting the interest payments due on Certificates of Participation with variable interest rates.

Capital Outlay increased by \$53,143. In fiscal year 2005-2006, the County purchased Adelanto Jail for \$30.5 million and five helicopters from American Eurocopter Corporation for \$14 million.



## Management's Discussion and Analysis

(Amounts in thousands)

Other financing sources and uses are presented below to illustrate changes from the prior year.

### Other Financing Sources (Uses) Governmental Funds

	2005-06	Increase 2004-05	
		Amount	Percent
Transfers to Other Funds	\$ (296,777)	\$ (98,238)	49%
Transfers from Other Funds	246,806	74,752	43%
Refunding Bonds Issued	58,275	58,275	-
Premium on Refunding Bonds	1,270	1,270	-
Payment to Refunded Bonds Escrow Agent	(18,792)	(18,792)	-
Long-Term Debt Issued	2,118	1,178	125%
Inception of Capital Lease Obligations	823	27	3%
Sale of Capital Assets	5,369	513	11%
Total Other Financing Sources and (Uses)	<u>\$ (908)</u>	<u>\$ 18,985</u>	

Total Other Financing Sources and (Uses) increased by \$18,985.

Transfers to other funds increased by \$98,238 in 2005-06. The key elements of this increase are as follows:

- Increase of \$30,000 is due to a one-time transfer from the General Fund to Capital Projects for the Arrowhead Regional Medical Center 6<sup>th</sup> floor remodel.
- Increase of \$23,964 is due to a lease payment transfer to the Arrowhead Regional Medical Center.
- Increase of \$22,020 is due to a transfer from General Fund to Capital Projects for financing of the Adelanto Jail.
- Increase of \$8,724 in transfers from the General Fund to the 2004 POB Pension Obligation Debt Service Fund.
- Increase of \$7,450 in transfers from the transportation department to Capital Projects for street improvements and safe route to schools.
- Increase of \$4,900 in transfers from the General Fund to Capital Projects for Park Improvements.

Transfers from other funds increased by \$74,752 in 2005-06. The key elements of this increase are as follows:

- Increase of \$30,000 due to a one-time transfer to Capital Projects for the Arrowhead Regional Medical Center 6<sup>th</sup> floor remodel from the General Fund.
- Increase of \$22,020 due to a transfer to Capital Projects for financing of the Adelanto Jail from General Fund.
- Increase of \$9,985 in transfers to the 2004 POB Pension Obligation Debt Service Fund from the General Fund.
- Increase of \$4,900 in transfers to Capital Projects from the General Fund for Park Improvements.
- Increase of \$7,450 in transfers to Capital Projects from the transportation department for street improvements and safe route to schools.

## Management's Discussion and Analysis

(Amounts in thousands)

- The refunding bond issued amount of \$58,275 is due to the fact that in November, 2005, the Redevelopment Agency (San Sevaire Redevelopment Project) of the County issued "2005 Series A" Tax Allocation Bonds in the amount of \$58,275.
- Long-term debt issued increased by \$1,178 mainly due from United States Department of Agriculture for the Lenwood/High Desert Estates Sewer Construction Project.
- Sale of capital assets increased by \$513, resulting mainly from a sale of surplus helicopters by the Sheriff department in the amount of \$1.2 million and other various transactions.

### Schedule of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds

	Governmental Activities		
	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues	\$ 1,915,550	\$ 444,669	\$ 2,360,219
Expenditures	(1,743,703)	(529,029)	(2,272,732)
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	171,847	(84,360)	87,487
Total Other Financing Sources and (Uses)	(207,538)	206,630	(908)
Net Change In Fund Balance	(35,691)	122,270	86,579
Fund Balance, July 1, 2005	448,736	341,539	790,275
Fund Balance, June 30, 2006	<u>\$ 413,045</u>	<u>\$ 463,809</u>	<u>\$ 876,854</u>

In fiscal year 2005-06, the fund balance of total governmental funds increased by \$86,579. This increase is the result of ongoing and one-time revenues exceeding ongoing expenditures.

## Management's Discussion and Analysis

(Amounts in thousands)

**Proprietary funds:** County proprietary funds provide the same type of format found in the governmental-wide financial statements, but in more detail.

At June 30, 2006, the Medical Center had a total deficit in net assets of \$9,424. The net assets deficit is attributable to capital assets being depreciated faster than the related debt repayment.

The following table shows actual revenues, expenses and results of operations for the current fiscal year:

	Business-Type Activities -- Enterprise Funds			Total Enterprise Funds
	Medical Center	Waste Systems Division	Other Enterprise Funds	
Revenues				
Net Patient Care and Services	\$ 345,923	\$ -	\$ -	\$ 345,923
Charges for Current Services	-	64,988	20,206	85,194
Other	13,147	628	-	13,775
Total Operating Revenues	<u>359,070</u>	<u>65,616</u>	<u>20,206</u>	<u>444,892</u>
Operating Expenses				
Professional Services	36,697	27,999	1,919	66,615
Salaries and Employee Benefits	170,812	5,103	8,310	184,225
Self insurance claims	-	-	1	1
Services and Supplies	166,750	25,168	7,444	199,362
Depreciation and Amortization	18,241	7,599	2,811	28,651
Other	6,906	-	626	7,532
Total Operating Expenses	<u>399,406</u>	<u>65,869</u>	<u>21,111</u>	<u>486,386</u>
Operating Income (Loss)	<u>(40,336)</u>	<u>(253)</u>	<u>(905)</u>	<u>(41,494)</u>
Nonoperating Revenues (Expenses)				
Interest Revenue	333	4,117	1,544	5,994
Interest Expense	(30,313)	(3,451)	(352)	(34,116)
Tax Revenue	495	-	4,273	4,768
Grant Revenue	21,521	-	2,825	24,346
Gain (Loss) on Sale of Capital Assets	-	150	7	157
Other Nonoperating Revenues	-	4,739	966	5,705
Other Nonoperating Expenses	(740)	-	-	(740)
Total Nonoperating Revenues (Expenses)	<u>(8,704)</u>	<u>5,555</u>	<u>9,263</u>	<u>6,114</u>
Income (Loss) Before Special Item and Transfers	(49,040)	5,302	8,358	(35,380)
Special Item - Gain on Sale of Surplus Land	-	28,230	-	28,230
Transfers to Other Funds	(4,513)	(837)	(3,446)	(8,796)
Transfers from Other Funds	<u>63,648</u>	<u>-</u>	<u>648</u>	<u>64,296</u>
Change in Net Assets (Deficit)	10,095	32,695	5,560	48,350
Net Assets (Deficit), July 1, 2005	<u>(19,519)</u>	<u>19,157</u>	<u>99,815</u>	<u>99,453</u>
Net Assets (Deficit), June 30, 2006	<u>\$ (9,424)</u>	<u>\$ 51,852</u>	<u>\$ 105,375</u>	<u>\$ 147,803</u>

The net increase in net assets was primarily due to activities in the Waste Systems Division. The key factor in the increase was due to Waste System division's gain on sale of surplus land. See Note 22 on page 102.

The non-major enterprise fund net assets increased by \$5,560 as a result of increased user fees over expenses.

## **Management's Discussion and Analysis**

(Amounts in thousands)

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The County's final expenditure budget differs from the original budget by approximately 2.3%. The net decrease in appropriations of \$48,936 was approved during the fiscal year. The significant components of this net decrease are summarized below:

- On July 12, 2005, the Board adopted a budget amendment to increase the budget of the Sheriff department by \$1,438. This increase was for providing additional contracted law enforcement services to the City of Rancho Cucamonga.
- On September 20, 2005, the Board adopted a budget amendment to increase the budgets of the Sheriff's department by \$694 and the Public Health Department by \$910. These increases were due to the receipt of a Homeland Security Grant. This grant was used to increase the capability in San Bernardino County for responding to Weapons of Mass Destruction (WMD).
- On November 15, 2005, the Board adopted a budget amendment to increase the budget of the Sheriff's department by \$1,124. This salary increase was for the Sheriff's Department for providing additional contracted court security services to the Superior Court.
- On December 13, 2005, the Board adopted a budget amendment to use the budget set aside for the County Fire Department by \$1,600 to fund ongoing additional Captain and Firefighter/Paramedic staffing at fire stations due to the County Fire Department's workload increase.
- On April 4, 2006, the Board adopted a budget amendment to increase the budget of the Department of Mental Health by \$1,322. This increase is due to the receipt of Proposition 63 Mental Health Services Act funds from the State Department of Mental Health. The funds will be used to increase staffing for the MHSA as well as continue the outreach effort started through initial planning activities for the Community Services and Supports (CSS).
- On May 16, 2006, the Board adopted a budget amendment to increase the budget for the Department of Public Health by \$1,344. This increase is in order to use carryover grant funds for Public Health Preparedness and Response to Bioterrorism.
- On May 16, 2006, the Board adopted a budget amendment to decrease the budget in Realignment contingencies by \$30,000. This decrease is to fund the Arrowhead Regional Medical Center 6<sup>th</sup> Floor Med-Surg Remodel Project, which will remodel the 6<sup>th</sup> floor of the Patient Tower at ARMC to provide new medical-surgical beds and create relocation space for the administrative staff.
- On June 27, 2006, the Board adopted a budget amendment to increase the budget for the Sheriff's department by \$2,924. This increase utilized excess Prop 172 Public Safety Tax monies to fund reimbursement of the Inland Regional Narcotics Enforcement Team and High Intensity Drug Trafficking Area.
- On November 1, 2005, the Board adopted a budget amendment to increase the budget for contingencies by \$10,359 and \$45,297. These increases were for the mid year budget

## **Management's Discussion and Analysis**

**(Amounts in thousands)**

adjustment for contingencies due to the increase in general purpose revenue and due to the State budget impact respectively.

- On November 1, 2005, the Board adopted a budget amendment to increase the budget for the Sheriff's department by \$2,847. This increase is for the mid year budget adjustment for salaries due to new labor agreements and twelve additional deputies to patrol unincorporated areas.
- On November 1, 2005, the Board adopted a budget amendment to increase the budget for the District Attorney by \$1,324. This increase is for the mid year budget adjustment for salaries due to new labor agreements and six new DA investigators for the Bureau of Investigations.
- On November 1, 2005, the Board adopted a budget amendment to decrease the budget for the Human Services Group Administration Department by \$2,081. This decrease is due to the mid year budget adjustment for salaries due to new labor agreements and movement of the County Ethics Program from Human Services System to County Administrative Office.
- On November 1, 2005, the Board adopted a budget amendment to increase the budget for the Public Defender by \$1,082. This increase is for the mid year budget adjustment for salaries due to new labor agreements and ten new positions to address workload issues.
- On November 1, 2005, the Board adopted a budget amendment to increase the budget for Public Health by \$1,713. The increase is to fund mandated costs for the California Children Services program.
- On November 1, 2005, the Board adopted a budget amendment to increase the budget for Probation-Administration by \$1,299. This increase is for the mid year budget adjustment for salaries due to new labor agreements and one Supervising Probation Officer for Gang Unit.
- On November 1, 2005, the Board adopted a budget amendment to increase the budget for Probation – Detention Corrections by \$1,209. This increase is for the mid year budget adjustment for salaries due to new labor agreements.

## **Management's Discussion and Analysis**

**(Amounts in thousands)**

The County's final Other Financing Sources/Uses budget differs from the original budget by approximately 62%. Supplemental appropriations of \$79,534 were approved during the fiscal year. The significant elements of this increase are summarized below:

- On November 1, 2005, the Board adopted a budget amendment to increase the Capital Improvement Program budget by \$33,145. This amendment is due to one-time transfers from the General fund to Capital Project fund for deferred maintenance/infrastructure projects.
- On May 16, 2006, the Board adopted a budget amendment to increase the budget in Realignment transfers out by \$30,000. This increase is to fund the Arrowhead Regional Medical Center 6<sup>th</sup> Floor Med-Surg Remodel Project, which will remodel the 6<sup>th</sup> floor of the Patient Tower at ARMC to provide new medical-surgical beds and create relocation space for the administrative staff.

The General fund budget to actual statement can be found on page 48 of this report.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital assets**

The County's equity investment in capital assets for governmental and business-type activities as of June 30, 2006, amounted to \$934,582 - net of related debt. This investment in capital assets includes land and easements, improvements to land, structures and improvements, equipment and vehicles, construction-in-progress (CIP), and infrastructure less bonds and capital leases payable related to those assets.

Major capital asset events during the current fiscal year include the following:

- The Waste Systems Division sold at auction three parcels of surplus land adjacent to the Milliken Landfill. The sale created a \$17,966 decrease in land for Business-type Activities.
- The Flood Control funds have various flood control channel facilities under construction with a CIP value of \$51,098. The flood control facilities were primarily comprised of the West State Street Drain in the amount of \$13,795, the Etiwanda Levees and Creek in the amount of \$16,686, and the San Timoteo project with a CIP value of \$9,315.
- The Capital Improvement Fund had approximately \$16,416 in additions to CIP comprised of the following large projects: 1) 303 Building Improvement project in the amount of \$3,684; 2) Remodel of Auditor/Controller-Recorder 4<sup>th</sup> Floor project in the amount of \$882; 3) Rehab of a building in Redlands at 222 Brookside in the amount of \$815; and 4) Improvements to the Glen Helen Water Distribution System in the amount of \$984.
- The primary increase in Structures and Improvements consisted of the purchase and improvement of the Adelanto Detention Center in the amount of \$30,660.
- The primary increase in Equipment and Vehicles consisted of the purchase of five helicopters by the Sheriff's Department in the amount of \$14,007.

## Management's Discussion and Analysis

(Amounts in thousands)

Capital assets for the governmental and business-type activities are presented below to illustrate changes from the prior year:

	Governmental Activities		Business Activities		Total		Increase/ (decrease) Percent
	2006	2005	2006	2005	2006	2005	of Change
Land	\$ 63,234	\$ 61,780	\$ 22,572	\$ 39,505	\$ 85,806	\$ 101,285	-15.28%
Capitalized Software	6,759	2,708	-	-	6,759	2,708	149.59%
Construction in progress	111,531	79,340	15,664	20,855	127,195	100,195	26.95%
Improvement other than Buildings	138,698	128,484	232,647	219,074	371,345	347,558	6.84%
Structures and Improvements	542,691	500,855	513,726	508,765	1,056,417	1,009,620	4.64%
Equipment	221,465	201,980	103,071	100,433	324,536	302,413	7.32%
Infrastructure	1,056,716	1,033,446	-	-	1,056,716	1,033,446	2.25%
Total	<u>\$ 2,141,094</u>	<u>\$ 2,008,593</u>	<u>\$ 887,680</u>	<u>\$ 888,632</u>	<u>\$ 3,028,774</u>	<u>\$ 2,897,225</u>	<u>4.54%</u>

Additional information on the County's capital assets can be found on Note 9 on pages 79-80 of this report.

The County's infrastructure assets are recorded at historical cost in the government-wide financial statements as required by GASB No. 34.

### Long-term debt

Major long-term debt events during the current fiscal year include the following:

- Issued new Tax Allocation Bonds (San Savaine Redevelopment Project) totaling \$58,275.
- Tax Allocation Bonds totaling \$18,350 were defeased by proceeds from the new debt issue.
- Amortization of deferred amount of refunding and discounts totaling \$21,737.
- Principal payments made on debt for a total of \$63,203.
- Special Item – Litigation Settlement Payable totaling \$102,000.
- The estimated liability for closure/postclosure care costs increased by \$2,027.

## Management's Discussion and Analysis

(Amounts in thousands)

Long-term debt of the governmental and business-type activities are presented below to illustrate changes from the prior year:

	Governmental Activities		Business Activities		Total		Increase/ (decrease) Percent
	2006	2005	2006	2005	2006	2005	of Change
Certificates of Participation	\$ 200,528	\$ 212,704	\$ 618,099	\$ 645,146	\$ 818,627	\$ 857,850	-4.57%
General Obligation Bonds	-	-	1,930	2,045	1,930	2,045	-5.62%
Revenue Bonds	439,879	439,539	-	-	439,879	439,539	0.08%
Other Bonds and Notes Payable	522,835	484,409	6,905	4,435	529,740	488,844	8.37%
Compensated Absences	116,562	104,522	8,729	7,936	125,291	112,458	11.41%
Capital lease Obligations	3,889	4,457	2,438	1,305	6,327	5,762	9.81%
Estimated Liability for							
Litigation and Self-Insured claims	127,233	115,714	-	-	127,233	115,714	9.95%
Estimated Liability for Closure /							
Postclosure Care cost	-	-	115,731	113,704	115,731	113,704	1.78%
Special item :							
Litigation Settlement Payable	102,000	-	-	-	102,000	-	0.00%
Other Long-Term Debt	27,345	29,900	-	-	27,345	29,900	-8.55%
Total	<u>\$ 1,540,271</u>	<u>\$ 1,391,245</u>	<u>\$ 753,832</u>	<u>\$ 774,571</u>	<u>\$ 2,294,103</u>	<u>\$ 2,165,816</u>	<u>5.92%</u>

Additional information on the County's long-term debt can be found in Note 11 on pages 82-90 of this report.

### ECONOMIC FACTORS AND FY06 BUDGETING

- Property tax revenues have increased due to a rise in assessed valuation resulting from rising home prices and sales volume activity.
- Sales of new and existing homes in the County continue to rise due to the increased demand for affordable housing in the region. This demand is directly related to the job growth of the area and the continued migration of families from higher priced coastal counties of California.
- The Board continued to focus the County's resources on public safety. The 2005-06 final budget saw increased appropriations to the Law and Justice Departments.
- The capital projects budget increased by financing for the purchase and remodel of the new Adelanto jail facility, for the purchase and remodel of an office building in the City of San Bernardino, and for various projects in 2005-06.
- As the population of the County continues to increase, the needs of the County continue to grow. Among the County financing issues on the horizon are:
  - Jail Expansion
  - Hospital Expansion



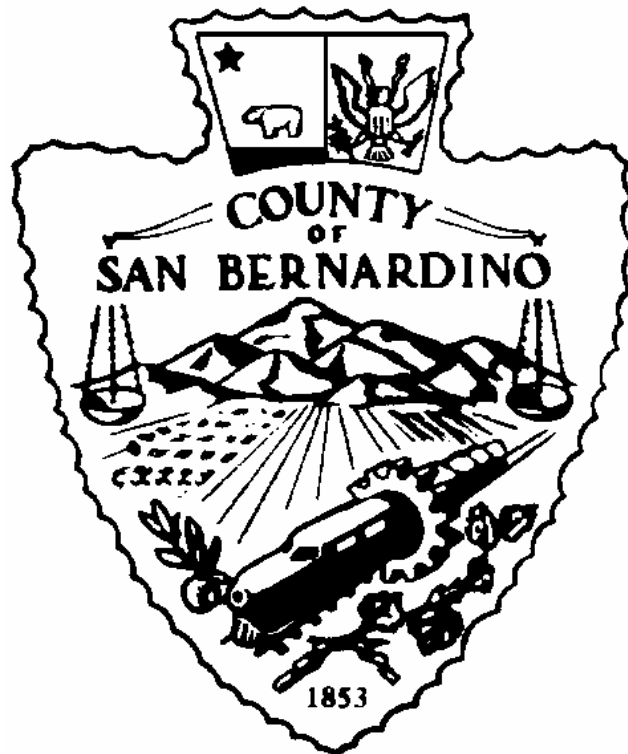
## **Management's Discussion and Analysis**

(Amounts in thousands)

- State Financing Issues
- New Judgeships
- Building Needs
- Redevelopment Needs

### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report, separate reports of the County's component units or need any additional financial information, contact the Auditor/Controller-Recorder Office, 222 W. Hospitality Lane, County of San Bernardino, California, 92415.



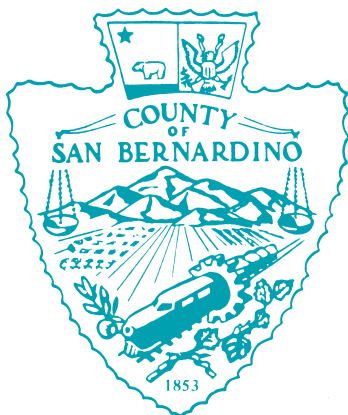
# Basic Financial Statements

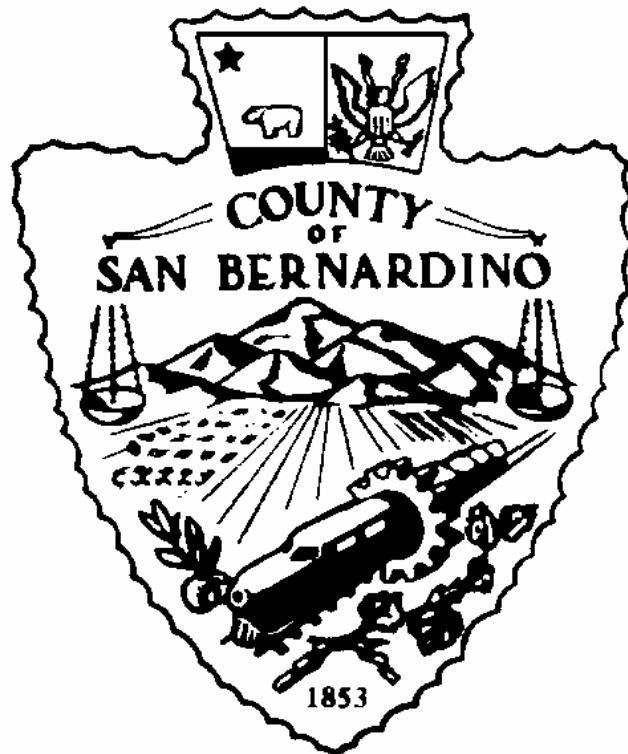
## Comprehensive Annual Financial Report



# Government- Wide Financial Statements

## Comprehensive Annual Financial Report





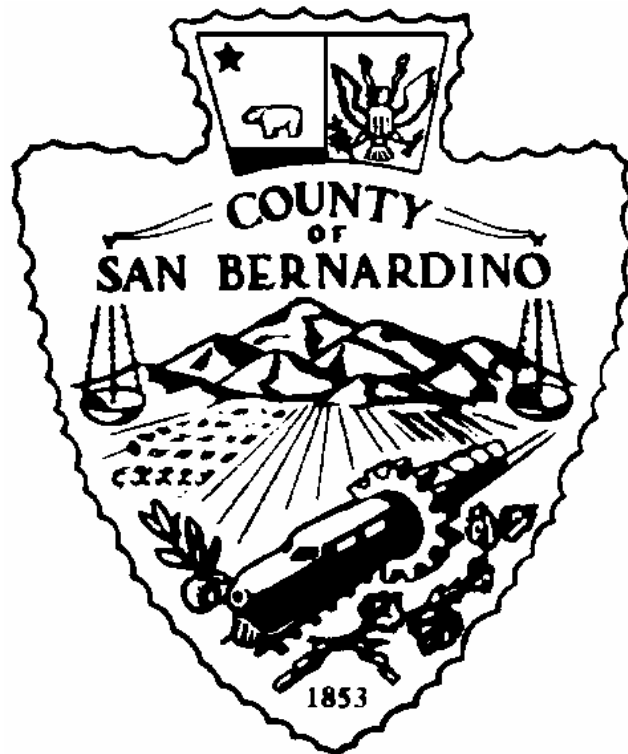
COUNTY OF SAN BERNARDINO  
STATEMENT OF NET ASSETS  
JUNE 30, 2006 (IN THOUSANDS)

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	FIRST 5 SAN BERNARDINO
<b>ASSETS</b>				
CASH AND CASH EQUIVALENTS (NOTE 6)	\$ 965,071	\$ 104,715	\$ 1,069,786	\$ 85,225
INVESTMENTS	13,193	-	13,193	-
ACCOUNTS RECEIVABLE - NET (NOTE 2)	3,748	58,300	62,048	-
TAXES RECEIVABLE (NOTE 2)	34,709	674	35,383	-
INTEREST RECEIVABLE	6,458	-	6,458	-
LOAN RECEIVABLE	3,309	-	3,309	-
OTHER RECEIVABLES	53	453	506	-
DUE FROM OTHER GOVERNMENTS	166,042	13,229	179,271	4,966
INTERNAL BALANCES	749	(749)	-	-
DUE FROM PRIMARY GOVERNMENT	-	-	-	768
LAND HELD FOR RESALE (NOTE 2)	2,754	-	2,754	-
INVENTORIES	2,591	1,463	4,054	-
PREPAID ITEMS	1,626	12,299	13,925	16
NOTE RECEIVABLE	-	1,067	1,067	-
DEFERRED CHARGES	8,727	1,629	10,356	-
RESTRICTED CASH AND INVESTMENTS (NOTE 6 & 8)	174	173,867	174,041	-
OTHER ASSETS	-	8,460	8,460	-
PREPAID PENSION ASSET	838,933	-	838,933	-
LAND (NOTE 9)	63,234	22,572	85,806	-
STRUCTURES, IMPROVEMENTS, AND INFRASTRUCTURE (NOTE 9)	1,738,105	746,373	2,484,478	-
EQUIPMENT (NOTE 9)	221,465	103,071	324,536	277
CAPITALIZED SOFTWARE (NOTE 9)	6,759	-	6,759	-
ACCUMULATED DEPRECIATION AND AMORTIZATION (NOTE 9)	(864,643)	(316,791)	(1,181,434)	(148)
CONSTRUCTION IN PROGRESS (NOTE 9)	111,531	15,664	127,195	-
<b>TOTAL ASSETS</b>	<b>3,324,588</b>	<b>946,296</b>	<b>4,270,884</b>	<b>91,104</b>
<b>LIABILITIES</b>				
ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES	51,120	19,686	70,806	2,401
SALARIES AND BENEFITS PAYABLE	59,928	10,821	70,749	110
DUE TO OTHER GOVERNMENTS	22,120	1,331	23,451	850
INTEREST PAYABLE	12,811	12,802	25,613	-
DEFERRED REVENUE	37,877	21	37,898	-
NONCURRENT LIABILITIES (NOTE 11):				
PORTION DUE OR PAYABLE IN ONE YEAR:				
COMPENSATED ABSENCES PAYABLE (NOTE 11)	66,771	7,322	74,093	16
COP BONDS AND NOTES PAYABLE (NOTE 11)	36,892	31,643	68,535	-
CAPITAL LEASE OBLIGATIONS (NOTE 11 & 13)	1,122	844	1,966	-
OTHER LONG TERM LIABILITIES (NOTE 11)	185	-	185	-
ESTIMATED LIABILITY FOR CLOSURE/POST-CLOSURE CARE COSTS (NOTE 11&16)	-	20,965	20,965	-
ESTIMATED LIABILITY FOR LITIGATION AND SELF-INSURED CLAIMS (NOTE 10&11)	39,122	-	39,122	-
SPECIAL ITEM - LITIGATION SETTLEMENT PAYABLE (NOTE 23)	22,000	-	22,000	-
PORTION DUE OR PAYABLE AFTER ONE YEAR:				
COMPENSATED ABSENCES PAYABLE (NOTE 11)	49,791	1,407	51,198	54
COP BONDS AND NOTES PAYABLE, NET (NOTE 11)	1,126,350	595,291	1,721,641	-
CAPITAL LEASE OBLIGATIONS (NOTE 11 & 13)	2,767	1,594	4,361	-
OTHER LONG TERM LIABILITIES (NOTE 11)	27,160	-	27,160	-
ESTIMATED LIABILITY FOR CLOSURE/POST-CLOSURE CARE COSTS (NOTE 11&16)	-	94,766	94,766	-
ESTIMATED LIABILITY FOR LITIGATION AND SELF-INSURED CLAIMS (NOTE 10&11)	88,111	-	88,111	-
SPECIAL ITEM - LITIGATION SETTLEMENT PAYABLE (NOTE 23)	80,000	-	80,000	-
	<b>1,724,127</b>	<b>798,493</b>	<b>2,522,620</b>	<b>3,431</b>
<b>NET ASSETS:</b>				
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT RESTRICTED (NOTE 5)	984,605	(50,023)	934,582	129
LEGALLY SEGREGATED SPECIAL REVENUE FUNDS FOR GRANTS AND OTHER PURPOSES	294,533	-	294,533	1,054
DEBT SERVICE	26,260	46,444	72,704	-
CAPITAL PROJECT FUNDS	142,499	-	142,499	-
PERMANENT FUNDS	517	-	517	-
STATE REALIGNMENT FUNDS	107,674	-	107,674	-
UNRESTRICTED	44,373	151,382	195,755	86,490
<b>TOTAL NET ASSETS</b>	<b>\$ 1,600,461</b>	<b>\$ 147,803</b>	<b>\$ 1,748,264</b>	<b>\$ 87,673</b>

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SAN BERNARDINO  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	PRIMARY GOVERNMENT				NET (EXPENSE)/REVENUE AND CHANGES IN NET ASSETS			COMPONENT UNIT						
	PROGRAM REVENUES			GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL								
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS											
FUNCTIONS/PROGRAMS														
PRIMARY GOVERNMENT:														
GOVERNMENTAL ACTIVITIES:														
GENERAL GOVERNMENT	\$	137,092	\$	99,452	\$	9,438	\$	-	\$	(28,202)	\$	(28,202)	\$	-
PUBLIC PROTECTION		764,154		168,524		168,369		-		(427,261)		(427,261)		-
PUBLIC WAYS AND FACILITIES		73,014		4,933		58,946		322		(8,813)		(8,813)		-
HEALTH AND SANITATION		241,795		42,713		247,842		-		48,760		48,760		-
PUBLIC ASSISTANCE		817,924		3,296		780,819		-		(33,809)		(33,809)		-
EDUCATION		17,612		1,105		987		-		(15,520)		(15,520)		-
RECREATION AND CULTURAL SERVICES		19,355		7,030		4,262		-		(8,063)		(8,063)		-
INTEREST ON LONG TERM DEBT		75,350		-		-		-		(75,350)		(75,350)		-
TOTAL GOVERNMENTAL ACTIVITIES		2,146,296		327,053		1,270,663		322		(548,258)		(548,258)		-
BUSINESS-TYPE ACTIVITIES:														
MEDICAL CENTER		430,459		345,923		13,147		21,521		-		(49,868)		-
WASTE SYSTEMS		69,320		65,616		-		-		(3,704)		(3,704)		-
OTHER		21,463		20,206		2,825		-		1,568		1,568		-
TOTAL BUSINESS-TYPE ACTIVITIES		521,242		431,745		15,972		21,521		-		(52,004)		-
TOTAL PRIMARY GOVERNMENT		2,667,538		758,798		1,286,635		21,843		(548,258)		(52,004)		-
COMPONENT UNIT														
FIRST 5 SAN BERNARDINO		21,642		-		26,725		-		-		-		5,083
GENERAL REVENUES:														
PROPERTY TAXES, LEVIED FOR GENERAL PURPOSES										418,703		4,768		423,471
PROPERTY TAXES, LEVIED FOR DEBT SERVICE										8,375		-		8,375
PUBLIC SAFETY TAX										140,855		-		140,855
SALES TAXES										30,875		-		30,875
OTHER TAXES										54,221		-		54,221
UNRESTRICTED REVENUES FROM USE OF MONEY AND PROPERTY										61,590		5,994		67,584
MISCELLANEOUS										51,784		5,705		57,489
GAINS ON SALE OF CAPITAL ASSETS										5,523		157		5,680
SPECIAL ITEM - GAIN ON SALE OF SURPLUS LAND										-		28,230		28,230
SPECIAL ITEM - LITIGATION SETTLEMENT										(102,000)		-		(102,000)
TRANSFERS										(55,500)		55,500		-
TOTAL GENERAL REVENUES, SPECIAL ITEMS AND TRANSFERS										614,426		100,354		714,780
CHANGE IN NET ASSETS										66,168		48,350		114,518
NET ASSETS - BEGINNING										1,534,293		99,453		1,633,746
NET ASSETS - BEGINNING, AS RESTATED (NOTE 3)														
NET ASSETS - ENDING										\$ 1,600,461		\$ 147,803		\$ 1,748,264
										\$		\$		\$
														80,268
														87,673

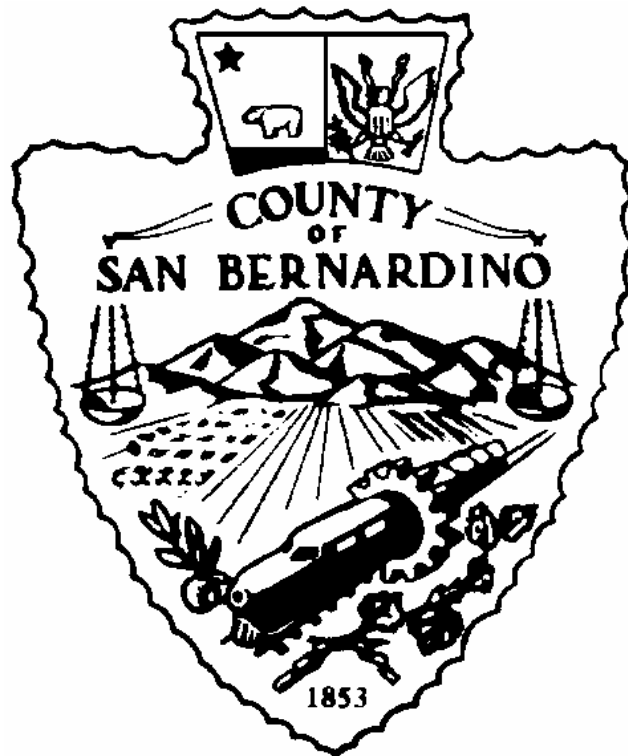




# Fund Financial Statements

## Comprehensive Annual Financial Report





COUNTY OF SAN BERNARDINO  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006 (IN THOUSANDS)

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>			
CASH AND CASH EQUIVALENTS (NOTE 6)	\$ 360,952	\$ 465,223	\$ 826,175
INVESTMENTS (NOTE 6)	-	13,193	13,193
ACCOUNTS RECEIVABLES - NET (NOTE 2)	2,639	187	2,826
TAXES RECEIVABLE (NOTE 2)	22,384	12,325	34,709
INTEREST RECEIVABLE	6,240	218	6,458
LOANS RECEIVABLE	16,745	-	16,745
OTHER RECEIVABLES	44	9	53
DUE FROM OTHER FUNDS (NOTE 7)	26,532	17,942	44,474
DUE FROM OTHER GOVERNMENTS (NOTE 2)	126,548	20,298	146,846
LAND HELD FOR RESALE (NOTE 2)	-	2,754	2,754
INVENTORIES	296	185	481
PREPAID ITEMS	7	-	7
INTERFUND RECEIVABLE (NOTE 7)	2,000	400	2,400
RESTRICTED CASH AND INVESTMENTS (NOTES 6 & 8)	-	174	174
TOTAL ASSETS	<u>\$ 564,387</u>	<u>\$ 532,908</u>	<u>\$ 1,097,295</u>
<b>LIABILITIES AND FUND BALANCES</b>			
ACCOUNTS PAYABLE	\$ 30,733	\$ 16,685	\$ 47,418
SALARIES AND BENEFITS PAYABLE	49,087	8,856	57,943
DUE TO OTHER FUNDS (NOTE 7)	6,453	18,071	24,524
DUE TO OTHER GOVERNMENTS	19,294	2,826	22,120
LOAN PAYABLE	-	16,709	16,709
DEFERRED REVENUE	45,775	5,302	51,077
INTERFUND PAYABLE (NOTE 7)	-	650	650
TOTAL LIABILITIES	<u>151,342</u>	<u>69,099</u>	<u>220,441</u>
<b>FUND BALANCES (NOTE 5):</b>			
RESERVED FOR:			
ENCUMBRANCES	15,267	68,059	83,326
PREPAID ITEMS	7	-	7
NONCURRENT INTERFUND RECEIVABLES	2,000	400	2,400
LAND HELD FOR RESALE	-	2,754	2,754
INVENTORIES	296	185	481
LOANS RECEIVABLE	16,745	-	16,745
DEBT SERVICE	-	26,260	26,260
TEETER	13,672	-	13,672
UNRESERVED, REPORTED IN:			
DESIGNATED	127,727	-	127,727
UNDESIGNATED			
GENERAL FUND	237,331	-	237,331
SPECIAL REVENUE FUNDS	-	241,105	241,105
CAPITAL PROJECTS FUNDS	-	124,529	124,529
PERMANENT FUNDS	-	517	517
TOTAL FUND BALANCES	<u>413,045</u>	<u>463,809</u>	<u>876,854</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 564,387</u>	<u>\$ 532,908</u>	

Amounts reported for governmental activities in the statement of net assets are different due to the following (NOTE 4):

Capital assets used in governmental activities that are not financial resources and, therefore, are not reported in the funds. 1,254,028

Other long-term assets that are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. 25,500

Net Pension Obligation Bond 838,933

Internal service funds that are used by management to charge the costs of general services, telephone services, computer operations, vehicle services, risk management, and flood control equipment to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets. 27,241

Interest Payable (12,811)

Special Item - Litigation Settlement Payable (102,000)

Long-term liabilities, including bonds payable, that are not due and payable in the current period and therefore are not reported in the funds. (1,307,284)

Net assets of governmental activities (page 42) \$ 1,600,461

**COUNTY OF SAN BERNARDINO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)**

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>			
TAXES	\$ 535,031	\$ 109,359	\$ 644,390
LICENSES, PERMITS AND FRANCHISES	22,170	292	22,462
FINES, FORFEITURES AND PENALTIES	10,383	8,273	18,656
REVENUES FROM USE OF MONEY AND PROPERTY	46,065	16,854	62,919
AID FROM OTHER GOVERNMENTAL AGENCIES	1,047,674	226,195	1,273,869
CHARGES FOR CURRENT SERVICES	246,203	39,732	285,935
OTHER REVENUES	8,024	43,964	51,988
<b>TOTAL REVENUES</b>	<b>1,915,550</b>	<b>444,669</b>	<b>2,360,219</b>
<b>EXPENDITURES:</b>			
CURRENT:			
GENERAL GOVERNMENT	123,793	13,754	137,547
PUBLIC PROTECTION	589,194	160,706	749,900
PUBLIC WAYS AND FACILITIES	2,249	73,167	75,416
HEALTH AND SANITATION	240,981	4,206	245,187
PUBLIC ASSISTANCE	742,432	84,798	827,230
EDUCATION	2,629	14,840	17,469
RECREATION AND CULTURAL SERVICES	10,777	5,666	16,443
DEBT SERVICE			
PRINCIPAL	244	37,352	37,596
INTEREST AND FISCAL CHARGES	6,336	48,632	54,968
BOND ISSUANCE COSTS	-	2,297	2,297
ADVANCE REFUNDING ESCROW	-	1,622	1,622
CAPITAL OUTLAY	25,068	81,989	107,057
<b>TOTAL EXPENDITURE</b>	<b>1,743,703</b>	<b>529,029</b>	<b>2,272,732</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>171,847</b>	<b>(84,360)</b>	<b>87,487</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
TRANSFERS TO OTHER FUNDS (NOTE 7)	(242,844)	(53,933)	(296,777)
TRANSFERS FROM OTHER FUNDS (NOTE 7)	32,508	214,298	246,806
REFUNDING BONDS ISSUED (NOTE 11)	-	58,275	58,275
PREMIUM ON REFUNDING BONDS (NOTE 11)	-	1,270	1,270
PAYMENT TO REFUNDED BOND ESCROW AGENT (NOTE 11)	-	(18,792)	(18,792)
LONG-TERM DEBT ISSUED (NOTE 11)	-	2,118	2,118
INCEPTION OF CAPITAL LEASE OBLIGATIONS (NOTE 11)	201	622	823
SALE OF CAPITAL ASSETS	2,597	2,772	5,369
<b>TOTAL OTHER FINANCING SOURCES AND (USES)</b>	<b>(207,538)</b>	<b>206,630</b>	<b>(908)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(35,691)</b>	<b>122,270</b>	<b>86,579</b>
<b>FUND BALANCE, JULY 1, 2005</b>	<b>448,736</b>	<b>341,539</b>	<b>790,275</b>
<b>FUND BALANCE, JUNE 30, 2006</b>	<b>\$ 413,045</b>	<b>\$ 463,809</b>	<b>\$ 876,854</b>

**NET CHANGES IN FUND BALANCES -- TOTAL GOVERNMENTAL**

\$ 86,579

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period.

86,434

Internal service funds are used by management to charge the costs of general service group, telephone services, computer operations, vehicle services, risk management, and flood control equipment. The net revenues of the internal service funds is reported within governmental activities.

31,765

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.

3,749

Expenses in the statement of activities that do not require the use of the current financial resources and, therefore, are not reported as expenditures in the governmental funds.

(18,540)

Special Item - Litigation Settlement

(102,000)

Amortization of the 95 POBs prepaid asset and the amortization of the 04 POB deferred costs.

(6,158)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds, report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

(15,661)

Changes in net assets of governmental activities (page 43)

\$ 66,168

COUNTY OF SAN BERNARDINO  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL ON A BUDGETARY BASIS  
YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES</b>				
TAXES	\$ 483,068	\$ 494,493	\$ 535,031	\$ 40,538
LICENSES, PERMITS AND FRANCHISES	22,009	22,057	22,170	113
FINES, FORFEITURES AND PENALTIES	7,680	7,680	10,383	2,703
REVENUES FROM USE OF MONEY AND PROPERTY	33,069	33,844	46,065	12,221
AID FROM OTHER GOVERNMENTAL AGENCIES	1,078,360	1,086,503	1,047,674	(38,829)
CHARGES FOR CURRENT SERVICES	351,623	360,918	246,203	(114,715)
OTHER REVENUES	13,361	13,560	8,024	(5,536)
<b>TOTAL REVENUES</b>	<b>1,989,170</b>	<b>2,019,055</b>	<b>1,915,550</b>	<b>(103,505)</b>
<b>EXPENDITURES:</b>				
CURRENT:				
GENERAL GOVERNMENT	223,212	172,969	123,209	49,760
PUBLIC PROTECTION	595,887	617,531	588,501	29,030
PUBLIC WAYS AND FACILITIES	2,429	2,251	2,251	-
HEALTH AND SANITATION	410,758	386,320	236,247	150,073
PUBLIC ASSISTANCE	806,938	807,029	742,020	65,009
EDUCATION	2,235	2,635	2,629	6
RECREATION AND CULTURAL SERVICES	11,173	11,481	10,722	759
DEBT SERVICE	-	-	-	-
PRINCIPAL	413	413	244	169
INTEREST AND FISCAL CHARGES	6,592	6,592	6,336	256
CAPITAL OUTLAY	11,793	15,273	13,790	1,483
<b>TOTAL EXPENDITURE</b>	<b>2,071,430</b>	<b>2,022,494</b>	<b>1,725,949</b>	<b>296,545</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>(82,260)</b>	<b>(3,439)</b>	<b>189,601</b>	<b>193,040</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
TRANSFERS TO OTHER FUNDS (NOTE 7)	(175,314)	(263,216)	(242,844)	20,372
TRANSFERS FROM OTHER FUNDS (NOTE 7)	44,902	53,270	32,508	(20,762)
INCEPTION OF CAPITAL LEASE OBLIGATIONS (NOTE 11)	201	201	201	-
SALE OF CAPITAL ASSETS	1,030	1,030	2,597	1,567
<b>TOTAL OTHER FINANCING SOURCES AND (USES)</b>	<b>(129,181)</b>	<b>(208,715)</b>	<b>(207,538)</b>	<b>1,177</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(211,441)</b>	<b>(212,154)</b>	<b>(17,937)</b>	<b>194,217</b>
<b>FUND BALANCE, JULY 1, 2005</b>	<b>415,715</b>	<b>415,715</b>	<b>415,715</b>	<b>-</b>
<b>FUND BALANCE, JUNE 30, 2006</b>	<b>\$ 204,274</b>	<b>\$ 203,561</b>	<b>\$ 397,778</b>	<b>\$ 194,217</b>

COUNTY OF SAN BERNARDINO  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2006 (IN THOUSANDS)

	BUSINESS-TYPE ACTIVITIES --				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	ENTERPRISE FUNDS				
	MEDICAL CENTER	WASTE SYSTEMS DIVISION	OTHER ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	
<b>ASSETS</b>					
CURRENT ASSETS:					
CASH AND CASH EQUIVALENTS (NOTE 6)	\$ 9,267	\$ 50,200	\$ 45,248	\$ 104,715	\$ 138,896
ACCOUNTS RECEIVABLE - NET (NOTE 2)	43,635	11,328	3,337	58,300	922
TAXES RECEIVABLE	-	674	-	674	-
INTEREST RECEIVABLE	-	-	-	-	-
OTHER RECEIVABLES	-	-	453	453	-
DUE FROM OTHER FUNDS (NOTE 7)	2,222	1,380	668	4,270	674
DUE FROM OTHER GOVERNMENTS	10,602	2,307	320	13,229	528
INVENTORIES	1,401	-	62	1,463	2,110
PREPAID ITEMS	3,209	9,090	-	12,299	1,619
TOTAL CURRENT ASSETS	70,336	74,979	50,088	195,403	144,749
NONCURRENT ASSETS:					
NOTE RECEIVABLE	-	1,067	-	1,067	-
DEFERRED CHARGES	-	1,629	-	1,629	-
RESTRICTED CASH AND INVESTMENTS (NOTE 6 & 8)	59,733	114,134	-	173,867	-
OTHER ASSETS	8,460	-	-	8,460	-
LAND, STRUCTURE, IMPROVEMENTS, AND INFRASTRUCTURE	513,540	142,544	112,861	768,945	7,659
EQUIPMENT	97,728	1,804	3,539	103,071	56,020
ACCUMULATED DEPRECIATION AND AMORTIZATION	(168,540)	(91,775)	(56,476)	(316,791)	(41,256)
CONSTRUCTION IN PROGRESS	368	8,751	6,545	15,664	-
TOTAL NONCURRENT ASSETS	511,289	178,154	66,469	755,912	22,423
TOTAL ASSETS	581,625	253,133	116,557	951,315	167,172
<b>LIABILITIES</b>					
CURRENT LIABILITIES:					
ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES	12,813	5,535	1,338	19,686	3,702
SALARIES AND BENEFITS PAYABLE	10,474	341	6	10,821	1,985
DUE TO OTHER FUNDS (NOTE 7)	3,430	775	814	5,019	957
DUE TO OTHER GOVERNMENTS	-	1,290	41	1,331	-
INTEREST PAYABLE	12,584	92	126	12,802	-
DEFERRED REVENUE	-	-	21	21	300
COMPENSATED ABSENCES PAYABLE (NOTE 11)	7,187	135	-	7,322	1,766
BONDS AND NOTES PAYABLE (NOTE 11)	25,735	5,450	458	31,643	-
CAPITAL LEASE OBLIGATIONS (NOTE 11)	844	-	-	844	27
ESTIMATED LIABILITY FOR CLOSURE/POST-CLOSURE CARE COSTS	-	20,965	-	20,965	-
ESTIMATED LIABILITY FOR LITIGATION AND SELF-INSURED CLAIMS	-	-	-	-	39,122
TOTAL CURRENT LIABILITIES	73,067	34,583	2,804	110,454	47,859
NONCURRENT LIABILITIES:					
INTERFUND PAYABLE (NOTE 7)	-	-	-	-	2,000
COMPENSATED ABSENCES PAYABLE	1,071	334	2	1,407	1,915
BONDS AND NOTES PAYABLE	515,317	71,598	8,376	595,291	-
CAPITAL LEASE OBLIGATIONS	1,594	-	-	1,594	46
ESTIMATED LIABILITY FOR CLOSURE/POST-CLOSURE CARE COSTS	-	94,766	-	94,766	-
ESTIMATED LIABILITY FOR LITIGATION AND SELF-INSURED CLAIMS	-	-	-	-	88,111
TOTAL NONCURRENT LIABILITIES	517,982	166,698	8,378	693,058	92,072
TOTAL LIABILITIES	591,049	201,281	11,182	803,512	139,931
<b>NET ASSETS</b>					
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	(91,934)	(15,724)	57,635	(50,023)	20,905
RESTRICTED FOR:					
DEBT SERVICE	46,444	-	-	46,444	-
UNRESTRICTED	36,066	67,576	47,740	151,382	6,336
TOTAL NET ASSETS	\$ (9,424)	\$ 51,852	\$ 105,375	\$ 147,803	\$ 27,241

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SAN BERNARDINO  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	MEDICAL CENTER	WASTE SYSTEMS DIVISION	OTHER ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	
OPERATING REVENUES:					
NET PATIENT CARE AND SERVICE	\$ 345,923	\$ -	\$ -	\$ 345,923	\$ -
CHARGES FOR CURRENT SERVICES	-	64,988	20,206	85,194	179,729
OTHER	13,147	628	-	13,775	-
TOTAL OPERATING REVENUES	359,070	65,616	20,206	444,892	179,729
OPERATING EXPENSES:					
PROFESSIONAL SERVICES	36,697	27,999	1,919	66,615	6,724
SALARIES AND EMPLOYEE BENEFITS	170,812	5,103	8,310	184,225	31,219
SELF-INSURANCE CLAIMS	-	-	1	1	47,577
SERVICES AND SUPPLIES	166,750	25,168	7,444	199,362	55,147
DEPRECIATION AND AMORTIZATION	18,241	7,599	2,811	28,651	5,750
OTHER	6,906	-	626	7,532	340
TOTAL OPERATING EXPENSES	399,406	65,869	21,111	486,386	146,757
OPERATING INCOME (LOSS)	(40,336)	(253)	(905)	(41,494)	32,972
NONOPERATING REVENUES (EXPENSES)					
INTEREST REVENUE	333	4,117	1,544	5,994	3,831
INTEREST EXPENSE	(30,313)	(3,451)	(352)	(34,116)	(4)
TAX REVENUE	495	-	4,273	4,768	-
GRANT REVENUE	21,521	-	2,825	24,346	-
GAIN (LOSS) ON SALE OF CAPITAL ASSETS	-	150	7	157	480
OTHER NONOPERATING REVENUES	-	4,739	966	5,705	15
OTHER NONOPERATING EXPENSES	(740)	-	-	(740)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(8,704)	5,555	9,263	6,114	4,322
CHANGE IN NET ASSETS BEFORE SPECIAL ITEM AND TRANSFERS	(49,040)	5,302	8,358	(35,380)	37,294
SPECIAL ITEM - GAIN ON SALE OF SURPLUS LAND (NOTE 22)	-	28,230	-	28,230	-
TRANSFERS TO OTHER FUNDS (NOTE 7)	(4,513)	(837)	(3,446)	(8,796)	(5,773)
TRANSFERS FROM OTHER FUNDS (NOTE 7)	63,648	-	648	64,296	244
CHANGE IN NET ASSETS	10,095	32,695	5,560	48,350	31,765
TOTAL NET ASSETS, JULY 1, 2005	(19,519)	19,157	99,815	99,453	(4,524)
TOTAL NET ASSETS (DEFICIT), JUNE 30, 2006	<u>\$ (9,424)</u>	<u>\$ 51,852</u>	<u>\$ 105,375</u>	<u>\$ 147,803</u>	<u>\$ 27,241</u>

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SAN BERNARDINO  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	MEDICAL CENTER	WASTE SYSTEMS DIVISION	OTHER ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
CASH RECEIVED FROM PATIENT CARE AND SERVICES	\$ 321,400	\$ 65,719	\$ 19,361	\$ 406,480	\$ 185,844
CASH PAYMENTS TO SUPPLIERS OF GOODS AND SERVICES	(184,944)	(53,467)	(9,212)	(247,623)	(105,165)
CASH PAYMENTS TO EMPLOYEES FOR SERVICES	(168,229)	(5,007)	(8,327)	(181,563)	(30,757)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(31,773)	7,245	1,822	(22,706)	49,922
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
TAXES RECEIVED	495	-	4,273	4,768	-
GRANTS RECEIVED	-	-	2,825	2,825	-
OTHER NONOPERATING REVENUE	(740)	4,735	982	4,977	133
TRANSFERS RECEIVED	63,648	-	648	64,296	151
TRANSFERS PAID	(4,513)	(11,661)	(3,446)	(19,620)	(3,773)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	58,890	(6,926)	5,282	57,246	(3,489)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
STATE DEBT SERVICE FUNDING RECEIVED	21,521	-	-	21,521	-
ACQUISITION OF CAPITAL ASSETS	(2,700)	(7,057)	(8,732)	(18,489)	(9,483)
PRINCIPAL PAID ON CAPITAL LEASE OBLIGATIONS	(544)	-	(86)	(630)	(106)
INTEREST PAID ON CAPITAL LEASE OBLIGATIONS	-	-	(317)	(317)	(5)
PRINCIPAL PAID ON BONDS AND NOTES	(24,350)	(5,150)	-	(29,500)	-
INTEREST PAID ON BONDS AND NOTES	(30,869)	(3,413)	-	(34,282)	-
PREPAID CAPITAL ASSET ITEM	-	-	-	-	(108)
PROCEEDS FROM SALE OF CAPITAL ASSETS	1,678	47,160	7	48,845	396
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(35,264)	31,540	(9,128)	(12,852)	(9,306)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
PROCEEDS FROM SALE AND MATURITIES OF INVESTMENTS	-	-	2,440	2,440	-
INTEREST ON INVESTMENTS	333	3,650	1,544	5,527	3,594
NET CASH PROVIDED BY INVESTING ACTIVITIES	333	3,650	3,984	7,967	3,594
NET INCREASE IN CASH AND CASH EQUIVALENTS	(7,814)	35,509	1,960	29,655	40,721
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	76,814	128,825	43,288	248,927	98,175
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 69,000	\$ 164,334	\$ 45,248	\$ 278,582	\$ 138,896
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
OPERATING INCOME (LOSS)	\$ (40,336)	\$ (253)	\$ (905)	\$ (41,494)	\$ 32,972
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
DEPRECIATION	18,241	7,599	2,811	28,651	5,750
BAD DEBT EXPENSE	31,175	-	-	31,175	-
AMORTIZATION RELATED TO DEBT	2,871	-	-	2,871	-
CHANGES IN ASSETS AND LIABILITIES:					
ACCOUNTS RECEIVABLE	(44,636)	(1,486)	(1,443)	(47,565)	(864)
DUE FROM OTHER GOVERNMENTS	6,966	2,475	574	10,015	92
DUE FROM OTHER FUNDS	-	-	-	-	154
INVENTORIES	70	-	20	90	(243)
PREPAID ITEMS	(1,089)	1,742	-	653	63
NOTE RECEIVABLE	-	(1,067)	-	(1,067)	-
DEFERRED CHARGES	-	181	-	181	-
ACCOUNTS PAYABLE AND OTHER LIABILITIES	(7,618)	(3,973)	782	(10,809)	147
SALARIES AND BENEFITS PAYABLE	1,818	-	(3)	1,815	162
ESTIMATED LIABILITIES FOR CLOSURE/POST CARE CLOSURE COSTS	-	2,027	-	2,027	-
ESTIMATED LIABILITIES FOR LITIGATION AND SELF-INSURANCE CLAIMS	-	-	-	-	11,519
COMPENSATED ABSENCES PAYABLE	765	-	(14)	751	170
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (31,773)	\$ 7,245	\$ 1,822	\$ (22,706)	\$ 49,922
<b>BREAKDOWN OF CASH AND CASH EQUIVALENTS</b>					
CASH AND CASH EQUIVALENTS	\$ 9,267	\$ 50,200	\$ 45,248	\$ 104,715	\$ 138,896
RESTRICTED CASH AND INVESTMENTS	59,733	114,134	-	173,867	-
	\$ 69,000	\$ 164,334	\$ 45,248	\$ 278,582	\$ 138,896

The notes to the basic financial statements are an integral part of this statement.



COUNTY OF SAN BERNARDINO  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2006 (IN THOUSANDS)

	TOTAL	INVESTMENT TRUST	AGENCY
<b>ASSETS</b>			
CASH AND CASH EQUIVALENTS (NOTE 6)	\$ 2,103,704	\$ 1,744,954	\$ 358,750
INVESTMENTS (NOTE 6)	1,675	-	1,675
ACCOUNTS RECEIVABLE - NET	52	52	-
TAXES RECEIVABLE	173,134	-	173,134
INTEREST RECEIVABLE	53	1	52
LOANS RECEIVABLE	45	45	-
DUE FROM OTHER FUNDS (NOTE 7)	17,891	17,618	273
DUE FROM OTHER GOVERNMENTS	253	253	-
PREPAID ITEMS	118	118	-
INTERFUND RECEIVABLE	250	-	250
TOTAL ASSETS	<u>2,297,175</u>	<u>1,763,041</u>	<u>534,134</u>
<b>LIABILITIES AND FUND BALANCE</b>			
LIABILITIES:			
DUE TO OTHER FUNDS (NOTE 7)	36,809	961	35,848
DUE TO OTHER GOVERNMENTS	498,286	-	498,286
TOTAL LIABILITIES	<u>535,095</u>	<u>961</u>	<u>\$ 534,134</u>
<b>NET ASSETS</b>			
NET ASSETS HELD IN TRUST FOR INVESTMENT POOL PARTICIPANTS	<u>\$ 1,762,080</u>	<u>\$ 1,762,080</u>	

COUNTY OF SAN BERNARDINO  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS  
INVESTMENT TRUST FUND  
YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	<u>INVESTMENT TRUST FUND</u>
ADDITIONS:	
CONTRIBUTIONS ON POOLED INVESTMENTS	\$ 8,145,021
NET DECREASE IN FAIR VALUE OF INVESTMENTS	(10,698)
INTEREST INCOME ON CASH AND SECURITIES	<u>53,724</u>
TOTAL ADDITIONS	8,188,047
DEDUCTIONS:	
DISTRIBUTIONS FROM POOLED INVESTMENTS	<u>8,015,119</u>
TOTAL DEDUCTIONS	<u>8,015,119</u>
NET DECREASE IN NET ASSETS	172,928
NET ASSETS HELD IN TRUST, JULY 1, 2005	<u>1,589,152</u>
NET ASSETS HELD IN TRUST, JUNE 30, 2006	<u><u>\$ 1,762,080</u></u>

